

Message Text

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ACTION PM-07

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FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 9365

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JOINT EMBASSY/COMUSK MESSAGE

E.O. 11652: GDS

TAGS: MASS, KS

SUBJECT: FY 74 CRA FUNDING

REF: (A) COMUSKOREA MKPO 130105Z JUL 73

(B) STATE 143277

1. IN VIEW OF THE RESTRICTIONS IMPOSED ON CRA FUNDING OF O&M PROGRAMS CITED IN REF B, THE EMBASSY AND JUSMAG-K HAVE BEEN JOINTLY EXPLORING ALTERNATIVE FUNDING POSSIBILITIES TO MEET MOST URGENT O&M NEEDS.

2. JUSMAG REVIEW OF STILL UNREQUISITIONED FY 73 O&M FUNDS MENTIONED REF B INDICATES A TOTAL OF \$4.43 MILLION, INCLUDING \$2.23 MILLION FOR THE ARMY, \$1.71 MILLION FOR AIR FORCE, \$.18 MILLION FOR NAVY, AND \$.31 MILLION FOR MARINES. THESE FUNDS, HOWEVER, ARE BEING UTILIZED FOR MOST CRITICAL FY 73 REPEAT FY 73 "O" COST REQUIREMENTS WHICH ARE IN SUPPORT OF ONGOING FY 73 REBUILD AND MAINTENANCE PROJECTS, AND THEY WILL NOT MEET ESSENTIAL REQUIREMENT FOR \$15 MILLION ORIGINALLY PROGRAMMED FOR 1ST QUARTER FY 74 CRA FUNDING FOR O&M COSTS. BELIEVE, THEREFORE, THAT IT IS NECESSARY TO EXAMINE ALL FACTORS INVOLVED IN USE OF FMS CASH/:CREDIT CASES

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AND SUPPLY SUPPORT ARRANGEMENTS (SSA), AS WELL AS

OTHER METHODS OF OBTAINING CREDIT FOR O&M REQUIREMENTS. SINCE, AS WE UNDERSTAND IT, LEAD TIME INVOLVED WITH SSA AND FMS CREDIT CASES PRECLUDE THEIR USE TO SATISFY IMMEDIATE HIGH PRIORITY O&M REQUIREMENTS, A COMBINATION OF FMS CASH AND CREDIT CASES APPEARS TO US TO BE THE BEST POSSIBLE INTERIM SOLUTION UNDER THE CIRCUMSTANCES.

3. TENTATIVE SOUNDINGS TAKEN BY JUSMAG INDICATE THAT MND WOULD BE PREPARED TO ESTABLISH IMMEDIATELY A LIMITED OPEN-END FMS CASH CASE IN THE RANGE OF \$2-5 MILLION TO COVER IMMEDIATE HIGH PRIORITY FY 74 O&M REQUIREMENTS. HOWEVER, THE ROK CY 73 DEFENSE BUDGET CONSTRAINT SEVERELY LIMITS AMMOUNT OF FUNDS THEY CAN IMMEDIATELY DIVERT TO UNPROGRAMMED O&M COSTS BEYOND THAT LEVEL. LEAD TIME REQUIRED TO EFFECT BUDGETARY CHANGES WILL PRECLUDE ANY SIGNIFICANT USE OF FMS CASH. LEAD TIME AND BUDGET CONSTRAINTS WILL ALSO PRECLUDE USE OF SSA UNTIL CY 74.

4. ROK MND FEELS STRONGLY THAT OPEN END FMS CREDIT CASE IS ONLY FEASIBLE COURSE OPEN TO IT TO SATISFY BULK OF HIGHEST PRIORITY 1ST QUARTER O&M REQUIREMENTS. WE AGREE. WE RECOGNIZE THAT THIS WILL REQUIRE APPROVAL AS EXCEPTION TO POLICY, BUT BELIEVE URGENCY OF ROK REQUIREMENT, FACT THAT THEY ARE READY TO ACCEPT RESPONSIBILITY FOR THIS UNPROGRAMMED "O" TRANSFER, AND THEIR CURRENT BUDGET CONSTRAINTS JUSTIFY ONE-TIME EXCEPTION. IT IS IN OUR INTEREST TO SHOW FLEXIBILITY IN SITUATION WHERE THEY ARE READY TO SHOULDER ADDITIONAL BURDEN.

5. IF OPEN-END FMS CREDIT CASE CAN BE APPROVED FOR ROK O&M REQUIREMENTS, WE BELIEVE IT SHOULD NOT BE DONE AT EXPENSE OF FMS FUNDS REMAINING AFTER ON-GOING AND PENDING FMS CREDIT CASES ARE FUNDED UNDER PRESENT \$25 MILLION CEILING. POTENTIAL
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EXISTS FOR ONE OR MORE OF FOLLOWING ADDITIONAL FMS CREDIT PROGRAMS IN FY 74, EACH OF POTENTIAL VALUE TO ROK SELF-SUFFICIENCY:

(1) ESTABLISHMENT OF MAINTENANCE DEPOT FOR ROK AIR DEFENSE MISSILE EQUIPMENT (HAWK AND NIKE HERCULES).

(2) PURCHASE OF TOW ANTI-TANK MISSILES FOR
ROK FORCES.

(3) LOAD, ASSEMBLY AND PACK FACILITY FOR
MORTAR AND ARTILLERY AMMUNITION.

6. IN VIEW OF ABOVE CONSIDERATIONS WE RECOMMEND
FOLLOWING BE EXPLORED:

A. APPROVAL OF LIMITED OPEN-END FMS CASH CASE
UP TO LEVEL OF \$5 MILLION AND OF FMS CREDIT CASE OF
\$10 MILLION TO COVER BALANCE OF 1ST QUARTER CRITICAL
O&M REQUIREMENT ORIGINALLY PROGRAMMED FOR CRA
FUNDING.

B. INCREASE IN KOREA'S FY 74 FMS CREDIT CEILING
BY \$10 MILLION TO COVER O&M CREDIT CASE RECOMMEND
IN PARA A AS WELL AS OTHER ON-GOING AND PENDING
FMS CREDIT CASES.

7. WE WOULD APPRECIATE EARLY CONSIDERATION OF
THESE PROPOSALS AND GUIDANCE FOR FURTHER
DISCUSSIONS WITH ROKS.
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